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IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1998

BRUCE A. LEHMAN,
COMMISSIONER OF PATENTS AND TRADEMARKS,
Petitioner,

v.

MARY E. ZURKO, *ET AL.*
Respondents.

On Writ of Certiorari to the United States
Court of Appeals for the Federal Circuit

Brief of Intellectual Property Professors As *Amici Curiae* in Support of Petitioner

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INTEREST OF THE AMICI CURIAE

This brief is submitted on behalf of Professors Thomas Field, Craig Allen Nard and John Duffy, all of whom teach or write in both administrative law and patent law.[1] As teachers and scholars of administrative and patent law, the amici are interested in the proper application of the Administrative Procedure Act (APA) to the Patent and Trademark Office (PTO). This brief is submitted to provide the Court with the assistance of scholars who have studied the intersection of administrative law and the patent process but who have no financial interest in this case. The amici take no position concerning the entitlement of Respondents to a patent.

SUMMARY OF ARGUMENT

Congress enacted the APA in 1946 as a comprehensive statute to regulate the field of federal administrative law. In holding that the PTO Board of Patent Appeals and Interferences ("PTO board" or "the board") is not subject to the standards of judicial review set forth in the APA, the decision below isolates patent law from the rest of administrative law and undermines the APA's goal of achieving consistency and uniformity in federal administrative law.

The Federal Circuit interpreted Section 559 of the APA to authorize a form of judicial review whereby (1) the court does not review PTO board decisions on the basis of the agency's own reasoning, and (2) the court reviews the PTO's factual

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[1] Pursuant to Sup. Ct. R. 37.6, the amici represent that they have authored this brief in whole, and that no person or entity other than the amici and their respective educational institutions (Franklin Pierce Law Center, Marquette University Law School, and Cardozo School of Law) have made a monetary contribution to the preparation or submission of the brief. The parties to this case have consented to the filing of this brief, and their written consents have been filed with the clerk of the Court.

findings under a clearly erroneous standard. Both of these aspects of review deviate from the review authorized by the APA, and neither can be justified by Section 559. Even under the Federal Circuit's view that Section 559 permits the continuation of pre-APA ~~c~~ommon-law requirements that are more demanding than the APA, Section 559 cannot justify reviewing board decisions without regard to the agency's reasoning because that would reduce the ordinary requirement that agencies must be able to defend both their results and their reasoning. Section 559 also does not authorize a clearly erroneous standard for review of PTO factual findings because such a standard did not exist prior to enactment of the APA.

Moreover, the Federal Circuit erred in interpreting Section 559 to authorize the use of pre-APA administrative common law purportedly found in murky lower court decisions. One of Congress's main goals in enacting the APA was to clarify federal administrative law. Allowing ambiguous lower court precedents to supercede the APA frustrates that goal. Section 559 also does not insulate pre-APA common law from review by this Court. To the extent that any pre-APA lower court applied a form of judicial review such as that suggested in the decision below, that judge-made law is now obsolete. Finally, although the Federal Circuit relied on stare decisis, that doctrine should have little application to this case.

ARGUMENT

I. The Form Of Judicial Review Contemplated By The Decision Below Is Inconsistent With The APA.

In enacting the Administrative Procedure Act (APA) in 1946, Congress intended that the new statute would provide a "simple and standard plan of administrative procedure" that would respond to the "widespread demand for legislation to

settle and regulate the field of Federal administrative law and procedure." S. Rep. No. 752, 79th Cong. 1st Sess. 1 (1945), reprinted in Staff of Senate Comm. on the Judiciary, *Legislative History of the Administrative Procedure Act*, S. Doc. No. 79-248, at 187 (1946) (hereinafter *APA Legislative History*). Thus, Congress intended the new statute "to be operative 'across the board' in accordance with its terms, or not at all. . . . No agency has been favored by special treatment." H.R. Rep. No. 1980, 79th Cong., 2d Sess. 15 (1946), reprinted in *APA Legislative History* 250.

Achieving these goals was not left to chance. Congress included in the text of the statute broad definitions of key provisions such as "agency" and "agency action" so that the statute, by its terms, would have broad applicability. Thus, for example, "agency" is defined (with narrow exceptions not relevant to this case) as "each authority of the Government of the United States, whether or not it is within or subject to review by another agency," § 701(b)(1), *see also* § 551(1), and "agency action" as "the whole or a part of any agency rule, order, license, sanction, relief, or the equivalent or denial thereof, or failure to act," § 551(13). Because of the facial breadth of these definitions, any argument that the statute is generally inapplicable to the PTO would be meritless. Indeed, both this Court and the lower courts (including the Federal Circuit) have applied the APA to the PTO. *See, e.g., Sperry v. Florida*, 373 U.S. 379, 396-399 (1963) (relying, *inter alia*, on the text and legislative history of the APA in determining the power of the Patent Office to authorize non-lawyers to practice before the agency); *Premysler v. Lehman*, 71 F.3d 387 (Fed. Cir. 1995) (relying on "interpretative rule" exception in Section 553 of the APA to hold that the PTO does not have to publish agency guidelines); *Ray v. Lehman*, 55 F.3d 606, 608 (Fed. Cir.) (applying the APA's abuse of discretion standard in review of PTO's refusal to revive a patent that had lapsed for

failure to pay maintenance fees), *cert. denied*, 516 U.S. 916 (1995); *Heinemann v. United States*, 796 F.2d 451, 453-54 (Fed. Cir. 1986) (applying arbitrary and capricious standard in reviewing PTO decision to award patent to the United States rather than to an employee), *cert. denied*, 480 U.S. 930 (1987).[2]

Because the APA's broad definitions apply to the PTO, judicial review of the PTO's actions is governed by 5 U.S.C. §§ 701-706 (Section 10 in the original version of the APA), unless the APA or other law provides an exception. The Federal Circuit interpreted Section 559 of the APA to provide such an exception for review of PTO board decisions. We address the Federal Circuit's construction of Section 559 in Parts II and III, *infra*. But before turning to Section 559, we detail here the two significant ways in which the judicial review contemplated by the decision below deviates from the review authorized by the APA.

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[2] *See also* Sikora v. *Brenner*, 379 F.2d 134, 136 (D.C. Cir. 1967) (holding that the judicial review provisions of the APA govern review of the Patent Office's denial of an amendment of a patent claim); *Wembley v. Comm'r of Patents*, 352 F.2d 941, 942 (D.C. Cir. 1965) (applying the APA to reject a challenge to Patent Office action found to be "preliminary, procedural or intermediate"); *Dorsey v. Kingsland*, 173 F.2d 405, 410 (D.C. Cir. 1949) (applying the newly enacted APA standards of judicial review to Patent Office disciplinary proceeding), *rev'd on other grounds*, 338 U.S. 318 (1949) (per curiam) (holding that "substantial evidence" did support the Patent Office's decision); *Klein v. Peterson*, 696 F.Supp. 695 (D. D.C. 1988) (also applying the APA's "substantial evidence" test to PTO disciplinary action), *aff'd* 866 F.2d 412 (Fed. Cir.), *cert. den.* 490 U.S. 1091 (1989); *Premysler v. Lehman*, 33 U.S.P.Q.2d 1859 (D.D.C. 1994) (applying APA's arbitrary and capricious test in reviewing PTO decision denying enrollment in the patent bar), *aff'd* 71 F.3d 387 (Fed. Cir. 1995). *See also* Caspar W. Ooms, *The United States Patent Office and The Administrative Procedure Act*, 38 Trademark Rep. 149, 150 (1948) ("outlin[ing] the general applicability of the Act to the Patent Office").

A. In Authorizing Review Independent Of The Agency's Reasoning, The Decision Below Deviates From Both The APA And The Decision In *SEC v. Chenery Corp.*

In the decision below, the Federal Circuit correctly noted that the standards of review found in the APA would "require that we review [PTO] board decisions on their own reasoning." Pet. App. 3a. The court, however, rejected that approach to judicial review and held that it would "review board decisions on our [i.e., the court's] reasoning." *Id.* In so holding, the Federal Circuit diverged from the approach to judicial review that, pursuant to the APA and this Court's holding in *SEC v. Chenery Corp.*, 318 U.S. 80 (1943), applies generally across federal administrative agencies.

In *Chenery*, this Court held that judicial review of an administrative agency requires "a judgment upon the validity of the grounds upon which the [agency] itself based its action." 318 U.S. at 88. While *Chenery* was decided before enactment of the APA, this Court has consistently held that the *Chenery* principle is incorporated into the principles of judicial review set forth in Section 706 of the APA. See *Motor Vehicle Manufacturers Assn. v. State Farm Mutual Auto. Ins. Co.*, 463 U.S. 29, 43 (1983); *see also Citizens to Preserve Overton Park, Inc. v. Volpe*, 401 U.S. 402, 419 (1971); *Burlington Truck Lines v. United States*, 371 U.S. 156, 168-69 (1962).

As this Court recently explained in *Allentown Mack Sales and Service, Inc. v. NLRB*, 118 S. Ct. 818 (1998):

> The Administrative Procedure Act, which governs the proceedings of administrative agencies and related judicial review, establishes a scheme of "reasoned decisionmaking." [*State Farm*, 463 U.S. at 52.] Not only must an agency's decreed result be within the scope of its

lawful authority, but the process by which it reaches that result must be logical and rational.

Id. at 826; *see also id.* at 827 (recognizing that this principle applies to agency adjudications). Thus, the *Chenery* principle requires an agency not only to have reached a sound result, but also to have articulated sound reasons for that result. If the agency has not done both, the reviewing court ordinarily must reverse, even if the court could conceive of adequate reasons to support the agency's result.[3] The Federal Circuit decision below deviates from this basic tenet of administrative law and would permit a reviewing court to affirm an agency decision that, in the court's view, reached a permissible result, even though the agency's reasoning was not sound.

B. The Decision Below Deviates From The APA's Standard Of Review For Agency Findings Of Fact Made In Informal Adjudications.

The decision below also held that factual findings in the PTO board's patentability decisions are to be reviewed under a "clearly erroneous" standard. Pet. App. 2a; *see also id.* at 25a (sustaining the "practice of reviewing factual findings of the board's patentability determinations for clear error"). Such a

[3] The court may affirm despite faulty agency reasoning only if the APA's harmless error rule applies. *See* 5 U.S.C. § 706 (requiring that "due account shall be taken of the rule of prejudicial error"). But that rule is quite narrow—applicable only "when a mistake of the administrative body is one that clearly had no bearing on the procedure used or the substance of the decision reached." *Massachusetts Trustees of Eastern Gas & Fuel Ass. v. United States*, 377 U.S. 235, 248 (1964). Moreover, "an error cannot be dismissed as 'harmless' without taking into account the limited ability of a court to assume as a judicial function, even for the purposes of affirmance, the distinctive discretion assigned to the agency." *Braniff Airways, Inc. v. CAB*, 379 F.2d 453, 465-66 (D.C. Cir. 1967) (Leventhal, J.).

standard of review deviates from the standard of review that the APA applies to agency factual findings reached in informal adjudications.

The APA provides three possible standards to govern judicial review of agency factual determinations–the "arbitrary and capricious" test of Section 706(2)(A), the "substantial evidence" test of Section 706(2)(E), and the "de novo" review authorization in Section 706(2)(F). Factual findings in informal agency actions, both informal rulemakings and adjudications, are typically reviewed under the first of these standards. *See State Farm*, 463 U.S. at 43; *Citizens to Preserve Overton Park*, 401 U.S. at 419; *Assn. Data Processing Service Organizations, Inc. v. Bd. Governors, Federal Reserve System*, 745 F.2d 677, 684 (D.C. Cir. 1984) (Scalia, J.). That standard should have been applied in this case. *See* Craig Allen Nard, *Deference, Defiance, and the Useful Arts*, 56 Ohio St. L.J. 1415, 1467-76 (1995).

The de novo review provision of Section 706(2)(F) is not applicable because, as this Court explained in *Overton Park*, 410 U.S. at 415, that provision applies only in two limited circumstances, neither of which is presented here.

The substantial evidence test of Section 706(2)(E) is also inapplicable here because it applies only to cases "subject to sections 556 and 557 of the [APA] or otherwise reviewed on the record of an agency hearing provided by statute." 5 U.S.C. § 706(2)(E). Because the PTO's decisions on patent applications are informal actions not required by statute "to be determined on the record after opportunity for an agency hearing," *see* 5 U.S.C. § 554(a), the decisions are not subject to Sections 556 and 557 of the APA. *See generally United States v. Florida East Coast Ry. Co.*, 410 U.S. 224 (1973). Furthermore, patent applicants have no statutory right to a

hearing at the PTO,[4] so the agency's decisions are not "reviewed on the record of an agency hearing provided by statute." § 706(2)(E); *see also Citizens to Preserve Overton Park*, 401 U.S. at 419. Accordingly, because neither the de novo review nor the substantial evidence standard applies, factual determinations in PTO patentability decisions are subject only to the arbitrary and capricious test of Section 706(2)(A).[5]

II. Even As Interpreted By The Federal Circuit, Section 559 Does Not Support The Decision Below.

The Federal Circuit interpreted Section 559 to authorize the continuation of any standard of judicial review—including any judge-made standard—that was in existence prior to enactment of the APA and that is "more searching" than the

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[4] The only statutory reference to a hearing in patent examination proceedings is 35 U.S.C. § 41(a)(6)(B), which sets the fee for requesting an oral appellate hearing before the PTO board. *See* Nard, *supra*, 56 Ohio St. L.J. at 1430 n.57. No statute, however, requires such a hearing to be granted.

[5] The government has taken the position in this case that the substantial evidence test is applicable to review of PTO board decisions, even though it previously contended that the arbitrary and capricious standard applied. See Pet. App. 3a & n.2. The choice between these two APA standards is not, however, an issue included within the question on which certiorari was granted. See Pet. for Cert. at i. Current doctrine holds that "the substantial evidence test [applies] only to findings adopted through the use of formal adjudication or formal rulemaking." 2 Kenneth C. Davis & Richard J. Pierce, Jr., *Administrative Law Treatise* § 11.4, at 200 (3d ed. 1994). The amici have found virtually no authority to support the expansion of the substantial evidence test to informal adjudications and caution against taking that step without full adversarial briefing and argument. In these circumstances, this Court should adhere to its ordinary policy of refraining from deciding issues not "fairly included" in the question presented. S. Ct. Rule 14.1(a).

standards of the APA. Pet. App. 10a. Even so interpreted, Section 559 provides no basis for departing from the *Chenery* principle. *Chenery* itself imposes an additional requirement on agencies—they must articulate sustainable reasons for their decisions. Section 559 plainly does not authorize any *reduction* in the requirements on the agency, so it cannot justify departing from the *Chenery* principle. Section 559 also cannot justify the Federal Circuit's clearly erroneous standard because a more deferential standard was applied to decisions of the Patent Office prior to the enactment of the APA.

A. Section 559 Does Not Justify Ignoring The *Chenery* Principle.

Under the *Chenery* principle (which, as noted above, *see* Part I(A), *supra*, this Court has held to be incorporated into the APA), not only must an administrative agency reach a sound result, it must also provide sound reasons for that result. Otherwise, the agency's action will be reversed and remanded upon judicial review. Departing from the *Chenery* principle diminishes the requirements on an agency, which no longer must articulate sustainable reasons for administrative decisions. Such a result clearly cannot be authorized by Section 559 of the APA, which preserves "additional requirements" on agencies but in no way diminishes the requirements of the APA.

The Federal Circuit seemed to believe that the standard of review applied to Patent Office decisions prior to enactment of the APA, "clearly contemplate[d] judicial review on more than just the board's own reasoning." Pet. App. 16a. Even if that were true, this Court's ruling in *Chenery*, which announced a general principle to govern judicial review of federal agencies, would have superceded any prior inconsistent case law of the lower courts.

But more fundamentally, the Federal Circuit had no historical support for its assertion that the pre-APA standard of review applied in patent cases was inconsistent with the *Chenery* principle. The court relied on the statement in *Ranney v. Bridges*, 188 F.2d 588 (CCPA 1951), that

> in considering allegations of error as to findings of fact made by the tribunals of the Patent Office this court follows the proper and well-established practice of appellate courts in refusing to reverse such findings unless we are convinced from our own study of the record that the findings are manifestly wrong because against the weight of the evidence.

Id. at 596; *see* Pet. App. at 16a (relying on this passage). Besides being written after enactment of the APA, that passage is also quite ambiguous. It might well have been meant only to emphasize that a reviewing court must study the record itself before determining whether the agency's conclusions survived the relevant standard of review, which ultimately was highly deferential. That approach would be consistent with this Court's teaching in *Overton Park* that a reviewing court's "inquiry into the facts is to be searching and careful," even though "the ultimate standard of review is a narrow one." 401 U.S. at 416.

Moreover, in *Ranney* itself, the court agreed with the agency's reasoning so completely that the court incorporated into its opinion verbatim the "lengthy but incisive discussion" from the agency's opinion below. 188 F.2d at 596. Thus, within the context of the case, nothing in *Ranney* can plausibly be interpreted as holding that the court would not conduct judicial review on the basis of the agency's reasoning.

Finally, the Federal Circuit's own precedents, which have applied the *Chenery* principle in the past, undercut any claim that the PTO board has traditionally been immune from *Chenery*. Thus, for example, the court in *In re Hounsfield*, 699 F.2d 1320, 1324 (Fed. Cir. 1983), relied on *Chenery* to hold that "we review the Board's decision on the basis of what the Board said." *See also Dubost v. PTO*, 777 F.2d 1561, 1566 (Fed. Cir. 1985) (also applying *Chenery*). The Federal Circuit's rejection of the *Chenery* principle is a recent development which has emerged as the court has clarified that it intends to apply principles of review gleaned from Federal Rule of Civil Procedure (FRCP) 52(a) in reviewing PTO decisions.[6]

B. Section 559 Does Not Justify Applying A Clearly Erroneous Standard Because That Standard Was Not Applied Prior To The Enactment Of The APA.

The modern clearly erroneous standard of review is the standard that an appellate court applies in reviewing the factual findings of a trial judge. *See In re Lueders*, 111 F.3d 1569, 1575 & n.8 (Fed. Cir. 1997) (referring to the clearly erroneous standard of FRCP 52(a) and stating that review of PTO board decisions would under "the same standards as applied to a decision from a district court"). Yet, over one half century

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[6] Importantly, however, the Federal Circuit does not seem to believe that it is bound to follow either FRCP 52(a) or generally applicable doctrines of administrative law. Thus, for example, in *Gechter v. Davidson*, 116 F.3d 1454, 1459 (Fed. Cir. 1997), the court noted that the PTO "Board is not bound by the Federal Rules of Civil Procedure." Nonetheless, the court relied on its own sense of "judicial policy" to require the PTO board to make detailed findings of fact and conclusions of law similar to those required by FRCP 52(a). *Ibid.* *Gechter* also cited *Chenery*, but not because the court thought it was bound to apply *Chenery*. Rather, the court cited *Chenery* to show that the PTO was not being treated too harshly because "other administrative tribunals" must meet the demands of *Chenery*. *Ibid.*

prior to the enactment of the APA, this Court in *Morgan v. Daniels*, 153 U.S. 120 (1894), held that courts reviewing the factual findings of the Patent Office were to afford the agency more deference than would be afforded in appellate review of a lower court. Judicial decisions prior to the enactment of the APA did not depart from that position.

1. *Morgan v. Daniels* and Judicial Deference to a "Special Tribunal" in the "Administrative Department."

Morgan arose from a dispute between two individuals, each of whom claimed to be the first to invent an improved machine for coiling wire. After the Patent Office declared an interference and decided the priority issue, the loser before the agency brought suit pursuant to section 4915 of the Revised Statutes, which permitted any applicant denied a patent by the agency to institute a suit in equity to establish the right to a patent. *See Morgan*, 153 U.S. at 121. Though that statute (which survives in a substantially similar form, *see* 35 U.S.C. § 145) authorized the court to adjudge the right to a patent "'as the facts in the case may appear,'" *Morgan*, 153 U.S. at 121 (quoting R.S. § 4915), the *Morgan* Court held that a reviewing court must give findings of the Patent Office a high level of deference. *Id.* at 123-25.

The case should not, the Court held, be treated as "a mere appeal from a decision of the Patent Office" in the sense that the case would be "subject to the rule which controls . . . an appellate court in reviewing findings of fact made by a trial court." *Id.* at 123. The case was "more than a mere appeal," the Court explained, because it was "an application to the court to set aside the action of one of the executive departments of the government." *Id.* at 124. The Court elaborated on the need for a high level of deference:

> The one charged with the administration of the patent system had finished its investigations and made its determination with respect to the question of priority of invention. . . . A new proceeding is instituted in the courts—a proceeding to set aside the conclusions reached by the administrative department. . . . It is a controversy between two individuals over a question of fact which has once been settled by a special tribunal, entrusted with full power in the premises. As such it might be well argued, were it not for the terms of this statute, that the decision of the Patent Office was a finality upon every matter of fact.

Ibid. Ultimately, the Court established a standard under which a decision of fact by the Patent Office must be accepted by the court "unless the contrary is established by testimony which in character and amount carries thorough conviction." *Id.* at 125. But if the question is "doubtful," then "the decision of the Patent Office must control." *Ibid.*

Unlike *Morgan*, this case was not brought originally in a trial court, and it was not brought pursuant to a statute authorizing the judiciary to decide patent rights "'as the facts in the case may appear.'" *Morgan*, 153 U.S. at 121 (quoting R.S. § 4915). Yet, if anything, these differences suggest that deference is more appropriate in this case. The Federal Circuit is not a trial court and thus, unlike the lower court in *Morgan*, it is not designed to resolve factual disputes.[7] Moreover, the Federal Circuit does not have any statutory authorization that arguably calls for more searching factual review than that provided by the APA. Indeed, as acknowledged below, the

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[7] The lower court in *Morgan* was a circuit court, which at the time possessed original jurisdiction. *See* Paul M. Bator, et al., *The Federal Courts and the Federal System* 38 & n.47 (3d ed. 1988); *see also Morgan*, 153 U.S. at 120 (noting commencement of suit in circuit court).

clearly erroneous standard is wholly a creature of judge-made or "common law." *See* Pet. App. at 11a, 15a, 22a.

A second difference is that *Morgan* involved judicial review of an interference, rather than a denial of a patent to a single applicant. It has been suggested that judicial deference to the PTO should be greater in the former than in the latter situation. *See Fregeau v. Mossinghoff*, 776 F.2d 1034, 1041 (Fed. Cir. 1985) (Newman, J., dissenting) (arguing that *Morgan* should be limited to contested interferences). The Federal Circuit itself, however, has rejected this distinction and has held that *Morgan* applies generally in reviewing any PTO patentability decision. *See id.* at 1037-38.[8] Such parity between review of interferences and review of other PTO patentability decisions is consistent with administrative law developed in other contexts, *see NLRB v. Walton Mfg Co.*, 369 U.S. 404 (1962) (rejecting lower court practice of providing less deference to an agency where stakes are perceived to be higher), and is sound in this context too.

While judicial review of an interference involves a choice between two competing applicants, review of PTO decision to deny a patent to a single applicant presents a similar choice: It is a choice between the applicant and the public. And, just as a judicial decision overturning an agency interference decision reallocates rights from one party to another, a judicial decision reversing an agency's denial of a patent to a single applicant

[8] The court in *Fregeau* incorrectly interpreted the standard of review in *Morgan* to be equivalent to the "clearly erroneous" standard used by trial courts to review special masters and by appellate courts to review lower courts. *See* 776 F.2d at 1038 & n.2. The *Fregeau* court did not, however, consider the passages in *Morgan* holding that the review of the Patent Office was not to be "subject to the rule which controls a chancellor in examining a report of a master, or an appellate court in reviewing findings of fact made by the trial court." 153 U.S. at 123.

may also reallocate rights, though the reallocation would be from the public to the patent applicant. Yet, the PTO's role in denying patents is as important as its role in granting them. In denying patents, the PTO promotes the progress of the "useful Arts," U.S. Const., art. I, § 8, cl. 8, by keeping technology already in the public domain available to all. Thus, there is no reason to believe that the *Morgan* standard should be limited to review of a particular category of PTO decisions.

2. The Review Standard Applied in the Lower Courts Prior to 1946.

In the half-century after *Morgan* and prior to the enactment of the APA, the lower courts employed several verbal formulations to describe the standard of review applicable to Patent Office findings of fact. But more important than the particular verbal formulations used was a consistent theme: Like the Court in *Morgan*, the lower courts stressed the special expertise of the Patent Office as a potent reason for deferring to the agency's findings of fact. This consistent theme—which is generally inapplicable to appellate review of an ordinary trial court—demonstrates that the lower courts were not equating review of Patent Office decisions to appellate review of a trial court.

From 1893 until 1929, disappointed patent applicants had a right to judicial review in the Court of Appeals of the District of Columbia. *See Hoover Co. v. Coe*, 325 U.S. 79, 86-87 (1945). In 1929, that jurisdiction was transferred to the newly created Court of Customs and Patent Appeals (CCPA), *see id.*, where it remained until the creation of the Federal Circuit in 1982. The most common verbal formulation employed by both of these courts to describe their standard of review was the "manifestly wrong" standard. *In re Adamson*, 92 F.2d 717 (CCPA 1937) (decisions of the Patent Office will not be set

aside unless "manifestly wrong"); *In re Anhaltzer* , 48 F.2d 657, 658 (CCPA 1931) (same); *In re Wietzel*, 39 F.2d 669, 671 (CCPA 1930) (same); *In re* Demarest, 38 F.2d 895, 896 (CCPA 1930) (same); *Hopkins v. Riegger*, 262 F. 642, 643 (D.C. App.1920) (same). Thus, even on semantic grounds, there is good reason to doubt that the courts prior to 1946 were applying a clearly erroneous standard in reviewing decisions of the Patent Office.

Both the Court of Appeals for the District of Columbia and the CCPA also employed verbal formulations other than "manifestly wrong" in reviewing Patent Office decisions. *See, e.g.*, *In re Hornsey*, 48 F.2d 911, 912 (CCPA 1931) (stating, in affirming the Patent Office, that the agency's decisions would not be reversed unless "it is clear that they are erroneous"). These decisions, however, tended to cite other cases which did apply the "manifestly wrong" formulation. *See id.* (citing *Wietzel* and *Demarest*, *supra*, both of which used the "manifestly wrong" formulation).

Moreover, even those decisions not citing the "manifestly wrong" standard contained suggestions that the courts were employing a standard of review more deferential than the clearly erroneous standard. Thus, for example, the court in *In re Beswick's Appeal* stated that a dissatisfied patent applicant must "make out a clear case of error in order to obtain a reversal." 16 App. D.C. 345, 350 (1900). But not only did it affirm the agency, the *Beswick* court relied for its standard of review on two earlier cases, each of which (also in affirming the agency) had held that the Patent Office would not be overturned except in "a *very* clear case." *In re Smith's Appeal*, 14 App. D.C. 181, 185 (1899) (emphasis added); *In re Barratt*, 11 App. D.C. 177, 179 (1897) (same). Indeed, the *Barratt* court suggested that the agency decision might be *more* easily

overturned in an equity proceeding, *see id.*, which of course had been the procedural posture in *Morgan*.

Yet more important than semantics is the consistent theme in decisions of the Court of Appeals and, later, the CCPA, that the Patent Office was owed a special level of deference because of the technical nature of the issues and the agency's expertise in the area. *See, e.g.*, *Mantz v. Jackson*, 140 F.2d 161, 164 (CCPA 1944) (refusing to overturn the Patent Office ruling on "subject matter which is highly technical in character"); *Anhaltzer*, 48 F.2d at 658 (holding that agency decisions on "intricate and highly technical questions" not to be disturbed unless "manifestly wrong"); *Wietzel*, 39 F.2d at 671 (same); *Hornsey*, 48 F.2d at 912 (refusing to reverse "the findings of experts of the Office on highly technical questions"); *Bonine v. Bliss*, 259 F. 989, 990 (D.C. App. 1919) (stating, in affirming the agency, that the matter "is primarily for the experts of the Patent Office, and will not be inquired into in this sort of proceeding except for manifest error"); *Beswick*, 16 App. D.C. at 350 (referring to the "expert tribunals of the Patent Office" in articulating the appropriate standard of review); *Smith*, 14 App. D.C. at 185 (same).[9]

Those articulated reasons for the courts' decisions are more reliable than any particular verbal formulation in indicating the level of deference the pre-APA courts thought due. As the Federal Circuit noted below, the pre-APA courts did not consistently employ any single talismanic formulation

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[9] In many cases, the examiners and the Board of Appeals within the Patent Office concurred in rejecting the applications, and the reviewing courts relied on the concurrence of views below as an another reason for deference. That factor, of course, does not distinguish this case, as the examiner and PTO Board of Patent Appeals and Interferences concurred in this case. *See also* note 13, *infra*.

in articulating their standard of review. *See* Pet. App. at 15a. But the courts were consistent in recognizing the technical nature of the issues presented and the expertise of the Patent Office in handling such matters. That rationale for deference is ordinarily not present in an appellate court's review of a trial court, as both courts are staffed with judges of general legal training.[10] And that rationale forms the principal basis for the more deferential standard applied in judicial review of administrative agencies. *See Universal Camera Corp. v. NLRB*, 340 U.S. 474, 488 (1951) (holding that APA's substantial evidence standard was not intended "to negative the function of the Labor Board as one of those agencies presumably equipped or informed by experience to deal with a specialized field of knowledge, whose findings within that field carry the authority of an expertness which courts do not possess and therefore must respect"). Accordingly, the stated rationale of the pre-APA courts provides good reason for interpreting their standard of review (whether it be called the "manifestly wrong" standard or something else) as more deferential to the agency than the modern clearly erroneous standard applied in appellate review.

Finally, in a paper delivered on February 5, 1947 (less than a year after the enactment of the APA), then-Commissioner of Patents Caspar Ooms concluded that "[a] study of the decisions of the appellate tribunals within which these adjudications [by the Patent Office] have been reviewed

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[10] In contrast, Congress has required all examiners-in-chief, who sit on the PTO board, to be "persons of competent legal knowledge and scientific ability." 35 U.S.C. § 7(a). (In addition to the examiners-in-chief, the PTO board also includes the PTO Commissioner, one Deputy and two Assistant Commissioners, but those officials are all appointed by the President with the advice and consent of the Senate, *see id.* § 3(a), and thus a statutory restriction on appointments might raise constitutional concerns. *See Public Citizen v. U.S. Department of Justice*, 491 U.S. 440, 466 (1989); *id.* at 483-84 (Kennedy, J., concurring in the judgment).)

discloses a recognition of each of the principles expressed in Section 10 of the [APA]." Ooms, *supra*, 38 Trademark Rept. at 159. This contemporaneous understanding immediately after the enactment of the APA undermines any claim that the pre-APA standards of review for the Patent Office were more stringent than the standards in the new Act.

III. Section 559 Does Not Freeze Pre-APA Common-Law Requirements Purportedly Found Only In Ambiguous Lower Court Decisions.

The first sentence of Section 559 states that the provisions of the APA "do not limit or repeal additional requirements imposed by statute or otherwise recognized by law."[11] This provision preserves pre-existing requirements on federal agencies, not inconsistent with the APA, that were established in statutes or in agency regulations. To the extent that Section 559 goes further—to the extent that it preserves additional requirements established solely by judicial decision—it should not be interpreted to preserve judge-made requirements found only in ambiguous lower court precedents and not yet recognized by this Court. A contrary interpretation of Section 559—an interpretation permitting the continued application of ambiguous lower court precedents applicable only to one agency—would be inconsistent with Congress's intent that the APA establish uniform principles of federal administrative law. Moreover, even if Section 559 were interpreted to permit continued application of pre-APA administrative common law, the statute plainly does not freeze pre-APA common law in time nor insulate that common law from review by this Court.

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[11] Section 559 is the codified version of Section 12 in the original APA, which provided: "Nothing in this Act shall be held . . . to limit or repeal additional requirements imposed by statute or otherwise recognized by law." Pub. L. No. 404, § 12, ch. 324, 60 Stat. 237, 244 (1946).

A. Ambiguous Lower Court Precedents Do Not Provide "Recognized" Requirements Under Section 559.

One of Congress's main goals in enacting the APA was to establish consistency and uniformity in federal administrative law. This congressional intention is demonstrated by two structural features in the text of the APA. First, as already discussed above in Part I, the broad definitions of "agency" and "agency action" mandate a general applicability for the statute. Second, Congress included a rule of construction in the APA, now set forth in the fifth sentence of Section 559, that "[n]o subsequent legislation shall be held to supersede or modify the provisions of this Act except to the extent that such legislation shall do so expressly." Pub. L. No. 404, § 12, 60 Stat. at 244, *codified in substantially similar form*, 5 U.S.C. § 559. This rule of construction prevents erosion of the general principles established by the Act.

In light of these structural features, the first sentence of Section 559 should not be interpreted to authorize continued use of a murky body of lower court precedents applicable to only a single federal agency. To be sure, Section 559 preserves more than just those "additional requirements" set forth in pre-APA statutory law. The category of "requirements . . . otherwise recognized by law" certainly extends to treaty obligations and, more importantly, to pre-existing agency rules granting greater procedural protections than those required by the APA. Whether the category extends beyond that—whether, for example, Section 559 would authorize the continued application of judge-made requirements well established in the pre-APA decisions of this Court—is not an issue presented by this case.

Even the Federal Circuit below acknowledged that the pre-APA case law of the CCPA and the Court of Appeals of the

District of Columbia was "ambiguous" on the precise standard of review being applied to factual decisions of the Patent Office. *See* Pet. App. 15a. Such ambiguity is fatal to any claim that those precedents provide requirements "recognized by law" within the meaning of Section 559. The pre-APA courts themselves did not recognize that they were applying special principles of judicial review to the Patent Office. Indeed, no pre-APA decision of the CCPA or the Court of Appeals ever defended the proposition that the Patent Office should be subject to more stringent standards of review than were other federal agencies that were subject to judicial review. And certainly no decision of this Court ever endorsed a special standard of review applicable only to the Patent Office. Thus, even if it could be shown that the CCPA or the Court of Appeals sometimes applied a less deferential standard of review, that standard should not be viewed as a "recognized" requirement within the meaning of Section 559.

Allowing an ambiguous body of lower court precedents to count as an "additional requirement . . . otherwise recognized by law" would be particularly inappropriate where the supposed "additional requirement" concerns a standard governing judicial review. In accordance with its general goal of generating greater uniformity in administrative law, Congress intended the judicial review provisions of the APA to establish a "simpl[e]" but nonetheless "comprehensive statement of the right, mechanics, and scope of judicial review."[12] Reforming and

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[12] 92 Cong. Rec. 5649 (1946) (statement of Rep. Walter) ("In the all-important field of judicial review, section 10 is a complete statement of the subject. It prescribes briefly when there may be judicial review and how far the courts may go in examining into a given case."), *reprinted in APA Legislative History* at 354; *see also* H. R. Rep. No. 1980, at 17, *reprinted in APA Legislative History* at 251; S. Rep. No. 752, at 7, *reprinted in APA Legislative History* at 193 (both describing § 10 as "set[ting] forth a

(continued...)

unifying the law was especially important for the standards governing judicial review on issues of fact. As this Court recognized in *Universal Camera*, the disparate approaches of pre-APA courts in reviewing agency findings of fact had "bred criticism," 340 U.S. at 477, and the new statute was "a response to pressures for stricter and more uniform practice, not a reflection of approval of all existing practices," *id.* at 489.

The Federal Circuit lost sight of the reformations wrought by the APA because the court relied on the 1947 *Attorney General's Manual on the APA* for the proposition that the act was merely intended to "'*restate the law of judicial review.*'" Pet. App. 7a (emphasis added by the Federal Circuit; quoting *Attorney General's Manual on the Administrative Procedure Act* 9 (1947) (hereinafter *AG's Manual*)). Yet this Court has rejected the view that "the judicial review provision[s] of the APA [are] no more than a restatement of pre-existing law." *Lujan v. National Wildlife Federation*, 497 U.S. 871, 883 (1990); *see also Universal Camera*, 340 U.S. at 489.

Though occasionally affording some weight to the *AG's Manual*, this Court has never suggested that the views in the *AG's Manual* should be adopted uncritically. Special care must be taken when considering the views of the *AG's Manual* on judicial review, for Congress chose to reject the recommendation of the prior Attorney General's Committee on Administrative Procedure that no legislation be enacted to govern judicial review. *See* Clark Byse & Joseph *v.* Fiocca, *Section 1361 of the Mandamus and Venue Act of 1962 and "Nonstatutory" Judicial Review of Federal Administrative Action*, 81 Harv. L. Rev. 308, 327 (1967). To support its

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[12](...continued)
simplified statement of judicial review designed to afford a remedy for every legal wrong").

"restatement" view of the APA's judicial review provisions, the *AG's Manual* relied mainly on the Attorney General's own letters to Congress, and the only piece of evidence from the congressional hearings cited in the *AG's Manual* tended to undercut the claim that Congress intended the APA to restate the preexisting law on judicial review. *See* John F. Duffy, *Administrative Common Law in Judicial Review*, 77 Tex. L. Rev. 113, 132-33 (1998). The text of the APA provides no basis for treating the judicial review provisions as wholly a restatement, and doing so here would frustrate Congress's intent to legislate a comprehensive and standard plan for judicial review.

B. Section 559 Does Not Insulate Pre-APA Common Law From Review By This Court.

To the extent that Section 559 preserves pre-APA common law, that law is not insulated from further development through the common law process. Sound common-law reasoning provides no justification for the continuation of a standard of review for the PTO different from that applicable to other federal agencies. Thus, federal common law no longer provides, within the meaning of Section 559, an "additional requirement" for judicial review of the PTO.

Just as Section 559 permits the continued application of additional statutory requirements but does not preclude the legislature from changing those requirements, so too it does not preclude the courts—the source of the common-law requirements—from clarifying and updating the common law to meet the changed conditions of modern administrative law. Indeed, the Federal Circuit acknowledged that its clearly erroneous standard was, at the very least, a modern clarification of pre-1946 administrative common law. *See* Pet. App. 22a-

23a. Thus, the court below correctly recognized that Section 559 does not freeze pre-1946 administrative common law.[13]

Continued clarification and development of the federal common law requires the rejection of a separate standard of review for the PTO in this case. The standards of review set forth in the APA are not overly deferential. Courts reviewing other federal agencies have been applying the APA's standards for decades, and this experience has shown that the statutory system allows judicial review to check agency action not supported by the record.[14] *See Citizens to Preserve Overton Park*, 401 U.S. at 419 (holding that the arbitrary and capricious test permits "[s]crutiny of the facts" to determine "whether there has been a clear error of judgment"); *State Farm*, 463 U.S. at 43 (holding that the arbitrary and capricious test permits reversal where agency's "explanation for its decision runs

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[13] The court also accurately noted that pre-APA common law might have (there is some ambiguity here too) varied the standard of review depending on whether the various components of the Patent Office agreed with each other. *See* Pet. App. 17a n.5. Such a rule could, under the Federal Circuit's theory, be viewed as an "additional requirement" under Section 559: The agency is required to have unanimity or be subject to more stringent review. But even if such a requirement might have, at one time, been an "additional requirement" under 559, it ceased to be when the CCPA changed its decisional law "[s]ome time in the early 1950s," *ibid.*, which was, of course, when this Court held that the APA's standard of review "is not modified in any way when the [National Labor Relations] Board and its examiner disagree." *Universal Camera*, 340 U.S. at 496. Again, this bit of history demonstrates that pre-APA common law standard of review can, and should, be modified to conform to the APA.

[14] Courts reviewing PTO patentability decisions may be able to apply a less deferential standard under the constitutional fact doctrine, *see* Thomas G. Field, Jr., *Law and Fact in Patent Litigation: Form Versus Function*, 27 Idea 153, 156-59 (1987), but that exception would be consistent with general administrative law principles and could be justified under Section 706(2)(F) of the APA.

counter to the evidence before the agency"); *see also* Nard, *supra*, 56 Ohio St. L.J. at 1476 (concluding that "arbitrary and capricious test . . . is by no means an empty standard" and will "subject the [PTO's] decision to a searching and thorough review and require the agency to adequately explain its decision"). The APA will not hobble the Federal Circuit in its role as the primary judicial overseer of the PTO. But adherence to the APA's framework for judicial review should lead to greater respect for the special expertise that the PTO, like other administrative agencies, possesses.

Moreover, adherence to the APA's standards would bring the review of PTO decisions into the mainstream of administrative law,[15] thereby furthering the goals of consistency and uniformity, which not only were endorsed by Congress in enacting the APA, but also are time-honored values in common-law reasoning. Similar situations should be governed by similar legal principles, and these principles should not be isolated from each other. A contrary approach needlessly fragments law and deprives courts of access to highly relevant bodies of precedent that could improve their jurisprudence.

Finally, the principles that this Court has developed to govern the appropriateness of federal common law—this Court's common law of federal common law—also suggest that supplementing the APA with federal judge-made law is not proper in these circumstances. Even in areas such as admiralty

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[15] The use of a clearly erroneous standard without legislative warrant appears to be unique in federal administrative law. *See generally* 2 Davis & Pierce, *supra*, *Administrative Law Treatise* § 11.3, at 198-99 (critiquing rare congressional authorization of a clearly erroneous standard in judicial review). The clearly erroneous standard appears in a few state administrative procedure acts but has drawn criticism even in that context. *See* Bernard Schwartz, *Administrative Law* § 10.12, at 648-49 (3d ed. 1991).

where jurisdictional provisions have been interpreted as authorizing the creation of federal common law, this Court still proceeds cautiously in that lawmaking enterprise, and with deference to Congress. Thus, for example, in *Mobil Oil Corp. v. Higginbotham*, 436 U.S. 618, 625 (1978), this Court held that, in exercising their power to fashion a common law of admiralty, the federal courts "are not free to 'supplement' Congress's answer so thoroughly that [a statute] becomes meaningless." This cautious approach to federal judge-made law recognizes Congress's "superior authority" in policymaking, *Miles v. Apex Marine Corp.*, 498 U.S. 19, 27 (1990), as well as the judiciary's "place in the constitutional scheme." *Id.* at 32; *see also Bush v. Lucas*, 462 U.S. 367, 389 (1983) (refusing to supplement a comprehensive statutory system because Congress was in a "far better position" to weigh the competing policy considerations); *see generally*, Duffy, *supra*, 77 Tex. L. Rev. at 141-46 (contending that administrative common law should be constrained by the restrictions generally applicable to federal common law). This Court's prior decisions have restricted the power of lower federal courts to develop extensive bodies of judge-made administrative law. *See Vermont Yankee Nuclear Power Corp. v. Natural Resources Defense Council, Inc.*, 435 U.S. 519 (1978). Patent law should not be immune from such fundamental considerations of federal court power.

IV. Stare Decisis Does Not Provide A Basis To Supplant The APA In This Case.

The Federal Circuit below "buttressed" its result with the principle of stare decisis. *See* Pet. App. 23a. Yet stare decisis should have little role here. Certainly, this Court has not held that the judicial review standards of the APA are inapplicable to PTO. To the contrary, the decisions of this Court suggest that the PTO board should be treated similarly to other "special

tribunal[s]" in "the executive departments of the government," *Morgan*, 153 U.S. at 123, and that the APA is applicable to the PTO, *see Sperry v. Florida*, 373 U.S. 379, 396-399 (1963).

While this Court occasionally affords some weight to a long line of lower court precedents, no such weight should be6 afforded to the decision below. The Federal Circuit's interpretation of Section 559 arrives here newly minted in this case. The Federal Circuit employed stare decisis below not to preserve a long-standing interpretation of the APA or some other statute, but rather to preserve "a long-standing *practice*." Pet. App. 23a (emphasis added). "Practice" is an accurate characterization, for the Federal Circuit's clearly erroneous standard evolved without consideration of the APA and without articulated reasons for why the PTO should be subject to different standards of judicial review.

In similar circumstances, this Court has not afforded much, if any, stare decisis weight to such unexamined practices. For example, in *Darby v. Cisneros*, this Court considered Section 704 of the APA (Section 10(c) of the original statute), which for decades "had been almost completely ignored in judicial opinions." 509 U.S. 137, 145 (1993) (relying on 3 K. Davis, Administrative Law Treatise § 20.08, 101 (1958), and 4 K. Davis, Administrative Law Treatise § 26.12, 468-469 (2d ed. 1983)). Though the Court expressed "surpris[e]" at this long history of neglect, the Court afforded no weight to the practice of the lower courts.

The case for stare decisis is even weaker here than it was in *Director, Office of Workers' Compensation Programs v. Greenwich Collieries*, 512 U.S. 267 (1994). There, the Court interpreted Section 556(d) of the APA (Section 7(c) of the original statute) to impose the burden of persuasion on the proponent of an agency rule or order. The Court acknowledged

that one of its prior decisions had asserted a contrary interpretation of the statute but noted that the parties in that case had not briefed the issue fully and the Court had not considered it thoroughly. *See* 512 U.S. at 277. Thus, the Court concluded that the prior decision's "cursory answer to an ancillary and largely unbriefed question does not warrant the same level of deference we typically give our precedents." *Ibid.*

Even more than *Darby* or *Greenwich Collieries*, this case involves neglect, not reasoned and considered interpretation, of a provision of the APA. Such a history of neglect merits no stare decisis weight.[16]

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[16] *Darby*, *Greenwich Collieries* and this case all involve provisions in the APA from either Section 7(c) or Section 10 of the original statute. It may be no mere coincidence that provisions from these particular two sections would be misinterpreted or neglected for so long after the enactment of the APA. A 1947 editorial by the American Bar Association warned against the "official interpretative pattern," then emerging from the Executive Branch, that "striv[ed] to minimize the import and effect of the provisions of Sections 7(c) and 10 respecting 'evidence' and 'judicial review.'" Editorial, *The Agencies and the Administrative Procedure Act*, 33 A.B.A. J. 16, 16 (1947). The ABA Editorial warned that agencies were beginning to assert that the Act "merely embodied" prior practice and procedure, and that this interpretation was a "divergence" between the legislative intent and "the views of those whose procedures and practices were to be regulated and curbed by the new Act." *Id.* This "official interpretative pattern" was memorialized in the *Attorney General's Manual on the APA*, which interpreted Section 7(c) not to impose a burden of persuasion on agencies and contended that Section 10 did nothing more than restate preexisting law. *See AG's Manual* at 75 (interpreting Section 7(c)), and at 9, 93, 94, 99, 105, 108, 110 (all asserting that Section 10 merely restates existing law). To the extent that the court below looked to this source for guidance in interpreting the statute, *see* Pet. App. 7a, it is not surprising that the court underestimated the import of the statute.

CONCLUSION

For the foregoing reasons, the judgment below should be reversed and the case remanded for further proceedings.

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